



GREAT WATER

GREAT WATER HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8196



INTERIM REPORT
2021

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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021

- Based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 (the “**Period**”), the Group’s revenue for the Period amounted to approximately RMB25,761,000, representing an increase of approximately 10.5% as compared to approximately RMB23,322,000 for the corresponding period in 2020.
- During the Period, the Group’s total gross profit was approximately RMB5,557,000, representing an increase of approximately 168.3% as compared to approximately RMB2,071,000 for the corresponding period in 2020.
- Loss attributable to ordinary equity holders was approximately RMB6,192,000, representing a decrease of approximately 49.6% as compared to loss attributable to ordinary equity holders of approximately RMB12,291,000 for the corresponding period in 2020.
- The Board does not recommend the payment of an interim dividend for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of the Company announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021 RMB'000 Unaudited	2020 RMB'000 Unaudited	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
REVENUE	4	19,952	4,583	25,761	23,322
Cost of Sales		(9,372)	(3,822)	(20,204)	(21,251)
Gross profit		3,580	761	5,557	2,071
Other income and gains	4	538	958	1,379	1,416
Selling and distribution expenses		(293)	(822)	(538)	(1,179)
Administrative expenses		(5,043)	(5,776)	(11,872)	(15,130)
Finance costs	6	(686)	(717)	(1,246)	(1,387)
(LOSS)/PROFIT BEFORE TAX		(1,904)	(5,596)	(6,720)	(14,209)
Income tax credit/(expense)	7	159	933	528	1,918
(LOSS)/PROFIT FOR THE PERIOD		(1,745)	(4,663)	(6,192)	(12,291)
Attributable to:					
Owners of parent		(1,745)	(4,663)	(6,192)	(12,291)
Non-controlling interests		–	–	–	–
		(1,745)	(4,663)	(6,192)	(12,291)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	9	RMB(0.006)	RMB(0.016)	RMB(0.021)	RMB(0.041)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the three months ended 30 June		For the six months ended 30 June	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(223)	(2,039)	(280)	(2,032)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(223)	(2,039)	(280)	(2,032)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(223)	(2,039)	(280)	(2,032)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(1,968)	(6,702)	(6,472)	(14,323)
Attributable to:				
Owners of parent	(1,968)	(6,702)	(6,472)	(14,323)
Non-controlling interests	–	–	–	–
	(1,968)	(6,702)	(6,472)	(14,323)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		12,092	13,065
Investment properties		24,500	24,500
Right-of-use assets		398	414
Other intangible asset		1,384	1,741
Receivables under a service concession arrangement		48,454	51,190
Equity investments designated at fair value through other comprehensive income		3,400	1,500
Total non-current assets		90,228	92,410
CURRENT ASSETS			
Inventories		23,950	11,328
Receivables under a service concession arrangement		6,579	6,629
Trade and bills receivables	10	74,270	95,614
Contract assets		45,105	50,611
Prepayments, deposits and other receivables		11,820	11,332
Pledge deposits		4,710	4,906
Cash and bank balances		96,627	46,611
Total current assets		263,061	227,029
CURRENT LIABILITIES			
Trade payables	11	105,813	125,625
Other payables and accruals		106,697	52,610
Interest-bearing bank borrowing		48,055	42,875
Tax payable		1,156	1,206
Total current liabilities		261,721	222,316
NET CURRENT ASSETS		1,340	4,713
TOTAL ASSETS LESS CURRENT LIABILITIES		91,568	97,123

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	30 June 2021 RMB'000 Unaudited	31 December 2020 RMB'000 Audited
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowing	1,979	545
Deferred tax liabilities	4,166	4,683
Total non-current liabilities	6,145	5,228
Net assets	85,423	91,895
EQUITY		
Equity attributable to owner of the parent		
Share capital	2,397	2,397
Reserves	83,032	89,504
Non-controlling interests	85,429 (6)	91,901 (6)
Total equity	85,423	91,895

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Asset revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
At 1 January 2020 (audited)	2,397	98,818	(13,830)	9,134	15,029	4,322	83,062	198,932	(6)	198,926
Profit for the period	-	-	-	-	-	-	(12,291)	(12,291)	-	(12,291)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(2,032)	-	(2,032)	-	(2,032)
Total comprehensive income for the period	-	-	-	-	-	(2,032)	(12,291)	(14,323)	-	(14,323)
At 30 June 2020 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	2,290	70,771	184,609	(6)	184,603
At 1 January 2021 (audited)	2,397	98,818	(13,830)	9,134	15,029	3,937	(23,584)	91,901	(6)	91,895
Profit for the period	-	-	-	-	-	-	(6,192)	(6,192)	-	(6,192)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(280)	-	(280)	-	(280)
Total comprehensive income for the period	-	-	-	-	-	(280)	(6,192)	(6,472)	(6)	(6,472)
At 30 June 2021 (unaudited)	2,397	98,818	(13,830)	9,134	15,029	3,657	(29,776)	85,429	(6)	85,423

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Net cash from operating activities	47,475	15,443
Net cash used in investing activities	(62)	(96)
Net cash from financing activities	2,883	8,613
Net increase in cash and cash equivalents	50,296	23,960
Cash and cash equivalents at beginning of period	46,611	24,863
Effect of foreign exchanges, net	(280)	(2,032)
Cash and cash equivalents at end of period	96,627	46,791
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	96,627	46,791
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	96,627	46,791

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 March 2015. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite A, 20/F, Wah Hen Commercial Centre, 383 Hennessy Road, Hong Kong.

The Company is an investment holding company. During the Period, the Group is principally engaged in the environmental protection business, such as wastewater treatment and soil remediation, through the design, construction, operation and maintenance service of related facilities and the trading of related equipment.

2. BASIS OF PREPARATION

The Group's interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the engineering, procurement and construction projects ("**EPC Projects**") segment comprises projects in which an enterprise is commissioned by a customer to act as a general contractor to take care of the overall design, procurement and construction of water or wastewater treatment facilities pursuant to the contract and be responsible for the quality, safety, time control and pricing of the project;
- (b) the construction projects ("**Construction Projects**") segment represents construction projects other than EPC Projects;
- (c) the equipment projects ("**Equipment Projects**") segment comprises projects in which an enterprise is engaged by a customer for procurement of necessary materials, equipment and machinery, installation, testing and commissioning of the equipment and machinery for the treatment facilities as well as provision of technical consulting services to upgrade or optimise the design of the water or wastewater treatment facilities pursuant to the contract;
- (d) the service concession arrangement ("**Service Concession Arrangement**") segment comprises projects in which provides the construction of sludge treatment and operation of the sludge station upon the completion of construction for a long period, i.e. 10 years. The fee received under this arrangement for the provision of operation services includes a guaranteed tariff based on a guaranteed minimum treatment volume together with an additional tariff in excess of the minimum volume. Restoration of the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement is necessary. According to the term of such arrangement, the Group is responsible for all of the costs in construction, operation and maintenance as well as restoration of the infrastructure; and

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION *(continued)*

- (e) the other projects (“**Others**”) segment comprises, principally, the Group’s operation and maintenance services in which an enterprise of the Group is retained to operate and maintain water or wastewater treatment facilities for a certain period for certain operation and maintenance fees on a monthly or quarterly basis.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group’s profit/(loss) before tax except that interest income, finance costs, fair value gains from the Group’s investment properties as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable, cash and cash equivalents, property, plant and equipment, investment properties, prepaid land lease payments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowing and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The unaudited segment results for the six months ended 30 June 2021 are as follows:

	EPC Projects <i>RMB’000</i>	Construction Projects <i>RMB’000</i>	Equipment Projects <i>RMB’000</i>	Services Concession Arrangement <i>RMB’000</i>	Others <i>RMB’000</i>	Total <i>RMB’000</i>
Segment revenue:						
Sales to external customers	246	598	6,607	11,698	6,612	25,761
Segment results	(50)	73	2,184	467	2,883	5,557
<i>Reconciliation:</i>						
Interest income						92
Unallocated gains						1,287
Corporate and other unallocated expenses						(12,410)
Finance costs						(1,246)
Loss before tax						(6,720)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION *(continued)*

The unaudited segment results for the six months ended 30 June 2020 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	–	2,534	14,313	2,693	3,782	23,322
Segment results	–	11	1,444	164	452	2,071
<i>Reconciliation:</i>						
Interest income						61
Unallocated gains						1,355
Corporate and other unallocated expenses						(16,309)
Finance costs						(1,387)
Loss before tax						(14,209)

The unaudited segment asset and liabilities at 30 June 2021 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment assets	27,166	22,466	92,933	61,941	9,873	214,379
<i>Reconciliation:</i>						
Corporate and other unallocated assets						138,910
Total assets						353,289
Segment liabilities	40,226	22,553	107,299	15,974	1,585	187,637
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						80,229
Total liabilities						267,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

3. OPERATING SEGMENT INFORMATION *(continued)*

The audited segment asset and liabilities at 31 December 2020 are as follows:

	EPC Projects RMB'000	Construction Projects RMB'000	Equipment Projects RMB'000	Services Concession Arrangement RMB'000	Others RMB'000	Total RMB'000
Segment assets	31,884	20,100	92,319	76,124	8,466	228,893
<i>Reconciliation:</i>						
Corporate and other unallocated assets						90,546
Total assets						319,439
Segment liabilities	43,150	21,101	68,560	18,582	172	151,565
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						75,979
Total liabilities						227,544

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; and rental income received and receivable from investment properties during the relevant periods.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Revenue		
EPC Projects	246	—
Construction Projects	598	2,534
Equipment Projects	6,607	14,313
Service Concession Arrangement	11,698	2,693
Others	6,612	3,782
	25,761	23,322
Other income		
Bank interest income	92	61
Rental income	852	887
Government grants	450	455
Others	15	13
	1,379	1,416

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	RMB'000
	Unaudited	Unaudited
Cost of inventories sold	6,472	12,836
Cost of construction contracting	4,962	2,482
Cost of services provided	8,770	5,933
Depreciation of property, plant and equipment	943	1,100
Auditors' remuneration	740	710
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	7,997	8,172
Pension scheme contributions	835	346
Other welfare	306	353
	9,138	8,871
Foreign exchange differences, net	86	(301)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	159	146
Bank interest income	(92)	(61)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Interest on bank loans	1,246	1,387

7. INCOME TAX

The statutory rate of Hong Kong profits tax was 16.5%, (2020: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax was made as the Group has no assessable profits arising in Hong Kong for the six months ended 30 June 2020 (2020: Nil).

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the PRC Income Tax Law and the respective regulations, the subsidiary which operates in the People's Republic of China (the "Mainland China" or the "PRC") is subject to Corporate Income Tax at a rate of 25% on the taxable income. Preferential tax treatment is available to the Group's principal operating subsidiary, Guangzhou Great Water Environmental Protection Co., Ltd., since it was recognised as a High and New Technology Enterprise in Mainland China and a lower PRC corporate income tax rate of 15% had been applied during the period ended 30 June 2021 and 2020.

Pursuant to the Vietnam Income Tax Law and the respective regulations, the subsidiary which operates in Vietnam is subject to Corporate Income Tax at a rate of 20% on the taxable income.

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current — Elsewhere other than Hong Kong	—	—
Deferred	(528)	(1,918)
Total tax (recover)/charge for the period	(528)	(1,918)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> Unaudited	As at 31 December 2020 <i>RMB'000</i> Audited
Trade receivables	135,653	157,264
Impairment	(61,383)	(61,650)
	74,270	95,614

Trade receivables represented the outstanding contracted value for the sale of goods, construction contracts and rendering of services receivable from the customers at each of the reporting dates. The Group's trading terms with its customers are mainly on credit. Tax invoices are issued to the customers based on agreed schedules and the Group's trade receivables are subject to various credit terms. The credit period granted to the customers is 30 days from the date of issuing tax invoice, extending up to the date of final acceptance of the whole projects for certain customers. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	As at 30 June 2021 <i>RMB'000</i> Unaudited	As at 31 December 2020 <i>RMB'000</i> Audited
Within one month	4,377	11,357
One to three months	10,242	15,555
Three months to one year	11,236	2,244
One to two years	406	4,182
Two to three years	196	20,730
Over three years	47,813	41,546
	74,270	95,614

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 30 June 2021 RMB'000 Unaudited	As at 31 December 2020 RMB'000 Audited
Within one month	9,632	6,744
One to three months	942	4,771
Three months to one year	9,959	14,254
Over one year	85,280	99,856
	105,813	125,625

The trade payables are unsecured, non-interest-bearing and are normally settled in 30 to 90 days.

12. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2021 RMB'000 Unaudited	As at 31 December 2020 RMB'000 Audited
Contracted, but not provided for:		
Purchases of items of equipment for projects	42,470	30,167
Capital contributions payable to a joint venture company	15,400	17,300
	57,870	47,467

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2021

13. RELATED PARTY TRANSACTIONS

- (a) The Group's balances with the directors are included in other payables. All the balances are unsecured, interest-free and repayable on demand. Details are as follows:

	As at 30 June 2021 RMB'000 Unaudited	As at 31 December 2020 RMB'000 Audited
Mr. Xie Yang	60	140
Mr. He Xuan Xi	29	121
Ms. Gong Lan Lan	50	51
Mr. Tse Chi Wai	50	51
Mr. Ha Cheng Yong	50	51
Ms. Bai Shuang	50	51
	289	465

- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June 2021 RMB'000 Unaudited	2020 RMB'000 Unaudited
Short term employee benefits	1,927	2,208

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a provider of wastewater and drinking water treatment engineering services in the People's Republic of China (the "PRC" or "China"). The main business of the Group is the provision of engineering services for wastewater and drinking water treatment facilities. The Group acts either as the contractor, who is responsible for the whole project from launch to final operational management ("**EPC Projects**"), or as the equipment contractor, who is responsible for providing technical advice and equipment procurement services for the project ("**Equipment Projects**"). Since mid-2020, the Group has started operating a sludge treatment service concession arrangement ("**Service Concession Arrangement**") in a wastewater treatment plant located in Guangzhou. The Group is also engaged in other environmental protection projects, provision of operating and maintenance services ("**O&M Projects**") for the customers in connection with the management of wastewater treatment and drinking water treatment facilities, as well as consultation services in relation to the improvement of wastewater and drinking water treatment facilities of various constructions.

During the Period, the revenue of the Group increased by approximately RMB2,439,000, or 10.5% to approximately RMB25,761,000 as compared to the corresponding period in 2020. During the Period, the Group recognised approximately RMB246,000 in revenue from the EPC Projects, approximately RMB598,000 in revenue from construction projects other than the EPC Projects ("**Construction Projects**"), approximately RMB6,607,000 in revenue from the Equipment Projects, approximately RMB11,698,000 in revenue from the Service Concession Arrangement and approximately RMB6,612,000 in revenue from other environmental protection projects. In comparison, approximately RMB2,534,000 in revenue from the Construction Projects, approximately RMB14,313,000 in revenue from the Equipment Projects, approximately RMB2,693,000 in revenue from the Service Concession Arrangement and approximately RMB3,782,000 in revenue from other environmental protection projects were recognised in the corresponding period in 2020.

Loss attributable to ordinary equity holders for the Period amounted to approximately RMB6,192,000, representing a decrease of approximately 49.6% as compared to loss attributable to ordinary equity holders of approximately RMB12,291,000 in the corresponding period last year.

The significant decrease in net loss after tax is mainly due to (1) the increase in the Group's gross profit and gross profit margin in the Period as compared to the corresponding period in 2020, as the Group undertook a one-off short-term operating project and a technical advisory project, each with high gross profit margin; and (2) the absence of approximately RMB3 million of expenses incurred during the corresponding period in 2020 for upgrading the construction qualification of the Group.

OUTLOOK

In 2021, the economy started making progress to "new startup" under the pandemic in the PRC. Even though it is relatively optimistic given the overall effects on countering the pandemic therein with prominent economic recovery in the first half of 2021, occasional domestic outbreak of the pandemic still has a negative impact on the economic recovery in the region. Hence, it takes time for the entire country to retrieve its economy. Meanwhile, by reasonable extrapolation, the global impact of the pandemic will last longer and become the "new normal". Facing this new normal and as an environmental protection engineering company with operations covering the mainland China and Vietnam, the Group believes that preventing direct or indirect operational risks caused by the pandemic, prudent customer selection, cost control, maintaining stable income and paying attention to cash flow will be the Group's operational priorities in the next few years.

The Group has been actively seeking the restart of projects that have been delayed under the influence of the pandemic and the catch-up for affected projects that are behind schedule. By virtue of the well-controlled pandemic, projects in the PRC have been gradually making progress. For example, the industrial solid waste treatment equipment project in the east of Guangzhou (廣州東部工業固廢處理設備項目) with a contract amount of approximately RMB47,880,000 has entered the substantive procurement stage currently. It is expected that the delivery and installation stage will appear in the fourth quarter this year. However, for projects in Vietnam, in view of the revivals of pandemic, the pre-construction preparations which were originally resumed have been postponed again. The Group is actively conducting communication and coordination with its customers for an early commencement of projects.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of new project expansion, the Group's business strategy adopted since last year will continue. The Group will be more cautious of the choice of customers and projects based on the direct and indirect effects of the pandemic. For long-term quality customers, more resources have been invested for constant follow-up. Concurrently, the Group will increase its presence in the Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") and strive to participate in more municipal construction projects. In the second quarter of 2021, new project contracts were acquired from long-term customers and new customers respectively in the Greater Bay Area. Based on the characteristics of the industry that it is quite time consuming to go through the stages in between project establishment and contract signing for the Group's mainstay operations, the business strategy adopted since last year could only start to take effect and enter a virtuous circle this year.

Given that projects will commence one by one, it is believed that the income and profitability of the Group will be improved in 2021, although it still takes a period of time to prepare for the restarting and formal commencement of projects. On the other hand, since another outbreak of pandemic occurred in the Greater Bay Area in the second quarter this year, projects of the Group will inevitably be affected, although the pandemic is currently under control. In conclusion, based on the above factors, the corresponding income and profits of the projects could not be recorded in the first half of 2021, when the Group's income and profit contribution are still mainly subject to operating projects. Therefore, its profitability in the first half of 2021 is not satisfactory though improved as compared to the corresponding period in 2020. Regarding the annual profitability for 2021, it is wished that there would be greater improvement in the second half of the year, while the directors and management of the Group are still cautious in relation to the annual results.

In conclusion, the Group considers that, in light of the new normal, the global economic downturn and the variation of performance of pandemic prevention and economic recovery among countries, the Group's business strategy in the domestic market and Vietnam market will also be adjusted. The market needs more time to absorb the impact of the pandemic, while the Group needs to be more well-prepared and patient in such period and the re-adjusted business strategy will also take time to obtain more visible results. Meanwhile, as most projects of the Group are located in China, by virtue of the Group's confidence in the Chinese government and its good results achieved in large-scale pandemic control, it is believed that there will be a series of tangible measures that can promote economic recovery and development in the future, and the Group's judgment on the market and related adjustments are also expected to improve its current operating conditions in the future.

The Group will respond to future challenges with a more stable and pragmatic attitude.

FINANCIAL REVIEW

Operating revenue

For the Period, the Group's operating revenue amounted to approximately RMB25,761,000, representing an increase of approximately 10.5% or RMB2,439,000 as compared to the corresponding period in 2020.

EPC Projects and Construction Projects

For the EPC Projects, the Group assumes the role of main contractor in charge of overall project management of constructing a treatment plant from launch to operation for a predetermined contract amount. As an engineering, procurement and construction contractor, the Group provides engineering design of the treatment facilities, procure necessary raw materials and appoint sub-contractors to construct the facilities. The Group also engages in construction projects related to other environmental protection sectors (such as soil remediation project and flue gas treatment project, involving the provision of engineering and procurement services for the project owner).

— Revenue relating to EPC Projects

For the Period, the revenue generated from the EPC Projects was approximately RMB246,000 (2020: there was no revenue generated from EPC Projects). The revenue from the EPC projects in the first half of 2021 was derived from one EPC Project.

MANAGEMENT DISCUSSION AND ANALYSIS

— Revenue relating to Construction Projects

For the Period, the revenue generated from Construction Projects was approximately RMB598,000 (2020: approximately RMB2,534,000), representing a decrease of approximately 76.4% or RMB1,936,000 over the corresponding period in 2020. The decrease in the revenue was primarily attributable to the revenue in the first half of 2021 which was derived from one small size Construction Project, as compared to the corresponding revenue in the first half of 2020 which was derived from one Construction Project.

Equipment Projects

For Equipment Projects, the Group mainly provides procurement services to a pre-defined section of a project. In determining the equipment and machinery best suited for the project operator's requirements, the Group's technical team often needs to work closely with the customers in identifying, evaluating and selecting different equipment before the procurement team comes into play.

For the Period, the revenue generated from Equipment Projects was approximately RMB6,607,000 (2020: approximately RMB14,313,000), representing a decrease of approximately 53.8% or RMB7,706,000 over the corresponding period in 2020. The decrease in the revenue was primarily attributable to the revenue in the first half of 2021 which was derived from three small size Equipment Projects, as compared to the corresponding revenue in the first half of 2020 which was derived from one large size and one small size Equipment Projects.

Service Concession Arrangement

For Service Concession Arrangement, the Group acquired a sludge treatment project in a wastewater treatment plant located in Dashadi from Guangzhou Sewage in the third quarter of 2018. The Group, as a contractor, is responsible for the development, construction and the operation of the sludge treatment project for a term of 10 years. The construction of the project was completed and the plant passed the official examination in mid-2020 and has commenced its operation since then.

For the Period, the revenue generated from the Service Concession Arrangement segment amounted to approximately RMB11,698,000 (2020: approximately RMB2,693,000), representing an increase of approximately 334.4% or RMB9,005,000 as compared to the corresponding period in 2020. The increase in revenue was primarily attributable to the recognition of revenue of approximately RMB11,698,000 in service income for the Service Concession Arrangement in the first half of 2021, while the corresponding revenue in the first half of 2020 was the revenue of approximately RMB2,693,000 for the recognition of service income for the Service Concession Arrangement during the trial period in the corresponding period last year.

Others

The revenue under the other segment included revenue attributable to O&M Projects and technical advisory services. As at 30 June 2021, the Group had one wastewater treatment O&M Project and three drinking water treatment O&M Projects on hand.

For the Period, the revenue generated from rendering of maintenance services amounted to approximately RMB6,612,000 (2020: approximately RMB3,782,000), representing an increase of approximately 74.8% or RMB2,830,000 as compared to the corresponding period in 2020. The increase was primarily attributable to (i) three technical advisory projects in the first half of 2021 with revenue contribution of approximately RMB3,946,000 as compared to one technical advisory project with revenue contribution of approximately RMB2,170,000 in the corresponding period in 2020; and (ii) O&M Projects which contributed approximately RMB2,666,000 in revenue in the first half of 2021 from one wastewater treatment O&M Project, one one-off short-term water treatment O&M Project and three drinking water treatment O&M Projects as compared to approximately RMB1,612,000 in the corresponding period in 2020 from one wastewater treatment O&M Project and four drinking water treatment O&M Projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

For the Period, other income and gains amounted to approximately RMB1,379,000 (2020: approximately RMB1,416,000), representing a decrease of approximately 2.6% or approximately RMB37,000 as compared to the corresponding period in 2020.

Cost of sales

For the Period, the cost of sales of the Group amounted to approximately RMB20,204,000 (2020: approximately RMB21,251,000), representing a decrease of approximately 4.9% or approximately RMB1,047,000 as compared to the corresponding period in 2020.

The decrease in cost of sales was mainly due to the increase in the Group's gross profit and gross profit margin in the Period. The cost of inventories sold decreased to approximately RMB6,472,000 for the six months ended 30 June 2021 from approximately RMB12,836,000 for the corresponding period in 2020. The cost of contracting increased to approximately RMB4,962,000 for the six months ended 30 June 2021 from approximately RMB2,482,000 for the corresponding period in 2020. The cost of services provided increased to approximately RMB8,770,000 for the six months ended 30 June 2021 from approximately RMB5,933,000 for the corresponding period in 2020.

Gross profit

For the Period, the Group recorded gross profit of approximately RMB5,557,000 (2020: approximately RMB2,071,000), representing an increase of approximately 168.3% or approximately RMB3,486,000 as compared to the corresponding period in 2020. The increase in gross profit of the Group was mainly due to the fact that the Group undertook a one-off short-term operating project and a technical advisory project, each with high gross profit margin.

Selling and distribution expenses

For the Period, the selling and distribution expenses of the Group amounted to approximately RMB538,000 (2020: approximately RMB1,719,000), representing a decrease of approximately 54.4% or approximately RMB641,000 compared to the corresponding period in 2020. The decrease in the selling and distribution expenses was mainly attributed to (i) the decrease in salaries and employee benefit of approximately RMB98,000; (ii) the decrease in maintenance expense of approximately RMB365,000; and (iii) the decrease in tender processing fee of approximately RMB174,000.

Administrative expenses

For the Period, the administrative expenses of the Group amounted to approximately RMB11,872,000 (2020: approximately RMB15,130,000), representing a decrease of approximately 21.5% or approximately RMB3,258,000 compared to the corresponding period in 2020. The decrease in the administrative expenses was mainly attributed to the fact that the Group incurred expenses of approximately RMB3 million in the first half of 2020 due to the upgrading of the construction qualification, while there was no such expenses for the first half of 2021.

Loss for the Period

For the Period, the loss for the period amounted to approximately RMB6,192,000 as compared to the loss of approximately RMB12,291,000 for the corresponding period in 2020, representing a decrease of approximately 49.6% or approximately RMB6,099,000 compared to the corresponding period in 2020. The decrease was mainly attributed to (1) the increase in the Group's gross profit and gross profit margin in the Period as compared to the corresponding period in 2020 as the Group undertook a one-off short-term operating project and a technical advisory project, each with high gross profit margin; and (2) the absence of approximately RMB3 million of expenses incurred during the corresponding period in 2020 for upgrading the construction qualification of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares (“**Shares**”) of the Company were listed (the “**Listing**”) on the GEM of the Stock Exchange on 9 December 2015. Since then, there has been no change in the capital structure of the Group. The capital of the Group comprises ordinary shares only.

As at 30 June 2021, the total equity attributable to the Company’s shareholders (the “**Shareholders**”) was approximately RMB85,429,000 (31 December 2020: approximately RMB91,901,000). The Group’s cash and bank balances amounted to approximately RMB96,627,000 (31 December 2020: approximately RMB46,611,000). The Group’s net current asset was approximately RMB1,340,000 (31 December 2020: approximately RMB4,713,000). Based on the Group’s existing cash and cash equivalents on hand and bank facilities available to the Group, the Group has adequate financial resources to fund the working capital required for its operation in the coming year. There was no hedging through any financial instruments.

During the Period, the Group’s cash and cash equivalents were mainly denominated in RMB, Hong Kong dollar and United States dollar and were placed in reputable financial institutions as deposits with maturity dates falling within one year. This is in line with the Group’s treasury policy to maintain liquidity of its funds whilst contributing to the stable income to the Group.

As at 30 June 2021, the Group had general banking facilities amounting to approximately RMB75,000,000. The total borrowing from the banking facilities of the Group as at 30 June 2021 amounted to approximately RMB49,931,000 (31 December 2020: RMB43,318,000). The borrowing is due within one year and the interest rate is variable with reference to the People’s Bank of China benchmark interest rate. The banking facilities were pledged by the Group’s buildings. For details of the pledged assets, please refer to the section headed “Charges on the Group’s Assets” below.

GEARING RATIO

As at 30 June 2021, the Group’s gearing ratio (being the net debt of the Group divided by its total capital plus net debt) was 50% (31 December 2020: 62%). Net debt of the Group includes interest-bearing bank borrowing, trade payables and other payables and accruals, less cash and bank balances. Capital represents equity attributable to owners of the Company.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

There was no significant investments held by the Group as at 30 June 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

The Group did not have any material acquisitions or disposals of subsidiaries and joint ventures during the Period.

COMMITMENTS

The contractual operating commitments of the Group were primarily related to the purchases of items of equipment for projects. As at 30 June 2021, the Group’s contractual operating commitments amounted to approximately RMB42,470,000 (31 December 2020: approximately RMB30,167,000).

As at 30 June 2021, the capital commitment of the Group amounted to approximately RMB15,400,000 (31 December 2020: approximately RMB17,300,000).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have other plans for material investments and capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021 and 31 December 2020, the Group's buildings, with net carrying amount of RMB6,853,000 and RMB6,936,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2021 and 31 December 2020, the Group's investment properties, with net carrying amount of RMB24,500,000 and RMB24,500,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

As at 30 June 2021 and 31 December 2020, the Group's leasehold land, with net carrying amount of RMB282,000 and RMB321,000, respectively, were pledged to secure certain general banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the Period, the Group did not hedge any exposure to foreign exchange risk.

ADVANCES TO AN ENTITY

As at 30 June 2021, the Group did not provide any advances to any entity outside the Group.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDERS

As at 30 June 2021, there was no pledging of Shares by the controlling Shareholders.

LOAN AGREEMENTS OF THE GROUP

As at 30 June 2021, the Group did not enter into any loan agreement with covenants relating to specific performance of the controlling shareholders of the Company.

During the Period, the Group did not breach any terms of agreement in respect of any loan that is significant to the Group's operations.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

As at 30 June 2021, the Group did not provide any financial assistance or guarantee to affiliated companies of the Group.

SHARE OPTION SCHEME

As at 30 June 2021, the Group has not adopted any share option scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 91 employees (31 December 2020: 84 employees). Employee costs amounted to approximately RMB9.1 million for the six months ended 30 June 2021 (2020: approximately RMB8.9 million). The Group will endeavour to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' remuneration is determined based on their performance.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no important events affecting the Group which have occurred since the end of the Period.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Save for code A.2.1 of the CG Code, that the roles of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual, the Board is satisfied that the Company had complied with the CG Code for the Period. Mr. Xie Yang (“**Mr. Xie**”) is chairman and the chief executive officer of the Company. With extensive experience in the wastewater and water treatment engineering services industry, Mr. Xie is responsible for the Group's overall strategic planning and management of its business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group and the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board comprised two executive Directors (including Mr. Xie), one non-executive Director and three independent non-executive Directors during the Period and therefore has sufficient independent elements in its composition.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the Period, none of the Directors had material interests, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the GEM Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the “Shares”), underlying Shares and debentures of the Company or any of its associated corporation (as defined in Part XV of the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in Shares

Name of director	Capacity	Number of Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Mr. Xie Yang ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%

Notes:

1. The letter “L” denotes a long position.
2. These Shares are owned by Oceanic Expert Investments Limited which is wholly owned by Perfect Wave Holdings Limited, which is in turn 100% beneficially owned by Mr. Xie Yang. Accordingly, Mr. Xie Yang is taken or deemed to be interested in the 91,350,000 Shares held by Oceanic Expert Investments Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 30 June 2021, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Long positions in the Shares

Name of shareholder(s)	Capacity	Number of Ordinary Shares (Note 1)	Approximate percentage of the total number of Shares in issue
Oceanic Expert Investments Limited ^(Note 2)	Beneficial owner	91,350,000 (L)	30.45%
Perfect Wave Holdings Limited ^(Note 2)	Interest in controlled corporation	91,350,000 (L)	30.45%
Waterman Global Limited ^(Note 3)	Beneficial owner	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 3)	Interest in controlled corporation	67,117,500 (L)	22.37%
Keen Leap Investments Limited ^(Note 3)	Beneficial owner	2,732,000 (L)	0.91%
Mr. Zhang Yao ^(Note 3)	Interest in controlled corporation	69,849,500 (L)	23.28%
Great Time Ventures Limited ^(Note 4)	Beneficial owner	44,032,500 (L)	14.68%
Topman Ventures Limited ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%
Mr. Song Xiao Xing ^(Note 4)	Interest in controlled corporation	44,032,500 (L)	14.68%

Notes:

- The letter "L" denotes a long position.
- Mr. Xie Yang beneficially owns the entire issued share capital of Perfect Wave Holdings Limited which in turn wholly owns Oceanic Expert Investments Limited which held 91,350,000 Shares.
- Mr. Zhang Yao beneficially owns the entire issued share capital of Keen Leap Investments Limited which held 2,732,000 Share directly and in turn wholly owns Waterman Global Limited which held 67,117,500 Shares.
- Mr. Song Xiao Xing beneficially owns the entire issued share capital of Topman Ventures Limited which in turn wholly owns Great Time Ventures Limited which held 44,032,500 Shares.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors, its employees, and the directors and employees of its subsidiaries and holding companies, who may likely possess inside information on the Company or its securities, on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). The Company had made specific enquiry of all the Directors, and each of them has confirmed that he/she was in compliance with the Required Standard of Dealings during the Period.

REVIEW OF FINANCIAL STATEMENT

During the Period, the audit committee of the Company (“**Audit Committee**”) comprised three independent non-executive Directors, namely, Mr. Tse Chi Wai, Ms. Bai Shuang and Mr. Ha Cheng Yong. Mr. Tse Chi Wai is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and has discussed with the management of the Company on the financial reporting matters including review of the unaudited condensed consolidated financial statements of the Group for the Period and the interim results and interim report of the Group for the Period, and is of the view that the interim results and the interim report have complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

By order of the Board
Great Water Holdings Limited
XIE YANG
Chairman

Guangzhou, the PRC, 9 August 2021

As at the date of this report, the executive Directors are Mr. XIE Yang and Mr. HE Xuan Xi; the non-executive Director is Ms. GONG Lan Lan and the independent non-executive Directors are Ms. BAI Shuang, Mr. HA Cheng Yong and Mr. TSE Chi Wai.